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Company Announcements Office  
ASX Limited  
Level 4, 20 Bridge Street  
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**Freedom Foods Group Limited  
Pactum Australia – Expansion of UHT Dairy Capacity for Asia Supply**

Freedom Foods Group Limited (ASX:FNP) is pleased to announce today that its wholly owned business unit, Pactum Australia (Pactum) has formally approved plans to proceed to build a state-of-the-art UHT processing plant in South Eastern Australia to meet demand for high quality dairy milk in export and domestic markets.

The primary market focus of the new capacity will be on supply of high quality UHT dairy milk for export markets to proprietary and private label customers in South East Asia, including China. With rising incomes and improving diets, these markets will continue to experience strong, long term demand for high quality safe dairy products originating from low cost production bases such as Australia. Australian dairy milk is well regarded in Asian markets for its consistent high quality.

Pactum has experienced significant growth (34% in volume) over the past few years, and the new production capacity (the first Australian greenfields expansion in UHT in last 10 years) will enable it to meet growing demand for UHT dairy milk, while providing additional capacity for value added beverages at its Sydney facility.

Pactum has recently completed an expansion of its capabilities at the Sydney facility to provide portion pack (200ml – 330ml) configuration for value added beverage products, with initial customer production to commence this month.

The location of the new plant at a site in South Eastern Australia will provide for long term access to sustainable and economic sources of dairy milk. Pactum has strong links into the Australian dairy industry and will expand its long term arrangements with Australian dairy farmers for supply of high quality dairy milk. The new facility will provide additional growth opportunities for Australian dairy milk supply, in a form that is value added and sustainable for long term export market development.

The initial capabilities of the plant will be 250ml portion pack and 1 Litre UHT configuration. Initial capacity will be up to 100m litres, with capability to significantly increase this capacity in the longer term. The facility will be built on state of the art Tetra Pak processing and packaging capability, with a focus on cost efficiency. It will incorporate a smaller carbon footprint, use considerably less water, and be more energy-efficient than equivalent UHT facilities in Australia and SE Asia.

The UHT dairy facility is expected to commence commercial operations by November 2013.

Pactum will operate the new plant through a joint venture, Pactum Dairy Group Pty Limited (PDG), to be owned jointly (50/50) with a major Australian dairy milk supply group.

Pactum will manage PDG on behalf of the joint venture partners, with sales to key customers undertaken as an integrated contract packaging offer.

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Pactum's partner in PDG will be responsible for coordinating under long term arrangements with Australian dairy farmers, supply of high quality dairy milk.

Pactum expects to commit up a maximum of \$4.5 million as equity funds to PDG (being 50% of total proposed equity contribution of \$9.0 Million), to be funded through internal sources.

For further information, please contact:

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**Managing Director**

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#### *About Pactum Australia*

*Pactum is an independent low cost manufacturer of a broad range of UHT products for private label and proprietary customers. Pactum currently manufactures a range of UHT beverages in 1 Litre format including dairy alternative beverages (Soy, Rice and Almond Milk), Cooking Stocks, Dairy Milk, Lactose Free Milk and other non-dairy beverages. Pactum recently completed an expansion of its packaging capability at its southern Sydney site to provide portion pack UHT (200-330ml configuration) for value added beverages.*

#### *Asian Dairy Demand*

*China and South East Asia have only begun to consumer increased quantities of milk. Currently China's per capita dairy consumption at 12.3kg / capita\* is 86% below US per capita consumption, with Indonesia at 1.4kg / capita\* and Vietnam at 2.0kg / capita\*. Overall demand for dairy in the region is being driven by increasing population, rising gross domestic product, higher disposable incomes and increased urbanisation. These factors are leading to change in diets and increased consumption of dairy products. Local supply in Asian markets to meet this demand will be challenged due to increased cost of production and quality of product, with increasing requirements on surplus producing countries such as Australia and New Zealand.*

Source: USDA

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